

Message Text

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ORIGIN EB-08

INFO OCT-01 EUR-12 ISO-00 AGRE-00 /021 R

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REF: EC BRUSSELS 6408 (1977)

FOLLOWING REPEAT BREMEN 00008 SENT GENEVA INFO SECSTATE DEPT OF
AGRICULTURE BONN BRUSSELS 05 JAN:

QUOTE UNCLAS BREMEN 008

USDA FOR FAS

BRUSSELS PASS US MISSION EC

E.O. 11652: N/A

TAGS: ETRD EAGR EEC GW

SUBJECT: EFFECTS OF NEW CONVERSION RATES FOR EUROPEAN UNIT
ACCOUNT ON EC TOBACCO TARIFF

REF: (A) 77 BREMEN 570; (B) 77 GENEVA 12764

1. EFFECTS DESCRIBED IN PARA 3, REFTEL (A) WERE EXPLAINED
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IN DETAIL IN BREMEN'S A-005, JAN 19, 1977, WHICH WAS SENT TO
YOU AND WHICH WAS REFERENCED IN REFTEL (A). ANOTHER COPY IS
BEING POUCHED.

2. EVEN THOUGH THE CURRENT CONVERSION RATE OF ONE EUROPEAN
UNIT OF ACCOUNT (EUA) EQUAL TO DM 2.60 IS LOWER THAN THE
CONVERSION RATE OF DM 2.68649 USED IN A-005, THIS DOES NOT

MATERIALLY CHANGE THE EFFECTS DESCRIBED IN REFTEL (A). THE TARIFF STRUCTURE, DESCRIBED IN ENCLOSURE 4 TO 77 BREMEN A-005, REMAINS UNCHANGED. UNDER THE PROPOSAL, THE TARIFF INCIDENCE WOULD BE DETERMINED IN EUA CONVERTED AT 2.60. FOR EXAMPLE, THE TARIFF INCIDENCE FOR 28 EUA EQUALS DM 72.80 AT THE NEW CONVERSION RATE, AS COMPARED WITH DM 102.48 UNDER THE OLD RATE (ONE EUA EQUALS DM 3.66). THE VALUE OF THE TOBACCO, HOWEVER, IS DETERMINED AT THE TIME OF CUSTOMS CLEARANCE BY CONVERTING THE DOLLARS TO D-MARK AT THE COMMERCIAL EXCHANGE RATE (ONE U.S. DOLLAR EQUALED DM 2.06 ON JAN 4). THIS VALUE IS NOT CONVERTED TO EUA BECAUSE THE IMPORT DUTY IS COLLECTED IN DEUTSCHE MARKS. THE CONVERSION RATE USED FOR THE PRICE BREAK READ VALUE THRESHOLD AND THAT USED FOR ASSESSING THE SPECIFIC DUTY IS THE SAME. IN ADDITION, THE EFFECT OF THE NEW EUA CONVERSION RATE IS TO SHIFT DOWNWARD THE VALUE THRESHOLDS, I.E. THE POINTS AT WHICH THE VARIOUS SPECIFIC AND AD VALOREM ELEMENTS OF THE LEAF TOBACCO TARIFF APPLY.

3. IN DETERMINING THAT THE NEW EUA CONVERSION RATE WOULD NOT REDUCE APPRECIABLY DUTY BURDEN ON U.S. TOBACCO IMPORTED INTO FRG, WE EXAMINED THE CHANGES IN THE TARIFF INCIDENCE AS A RESULT OF THE PROPOSED CONVERSION RATE FOR DEUTSCHE MARKS FROM EUA'S. CURRENTLY MOST OF THE U.S. TOBACCO ENTERING THE FRG IS SUBJECT TO THE TARIFF RATE OF 33 EUA, WHICH, CONVERTED AT ONE EUA EQUAL TO DM 3.66, AMOUNTS TO A SPECIFIC TARIFF INCIDENCE OF DM 120.78 PER QUINTAL. GERMAN BUYERS TAKE GREAT PAINS TO KEEP AS MUCH AS POSSIBLE THEIR COST OF U.S. TOBACCO BELOW THE DUTIABLE VALUE UNCLASSIFIED

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LEVEL OF EUA 280 EQUAL TO DM 1,024.79 PER QUINTAL, BECAUSE AT THIS POINT THE SPECIAL TARIFF RATES FOR HIGH-PRICED TOBACCO (EC CXT 24.01A) BEGIN TO APPLY. THIS IS WHERE THE SO-CALLED WRAPPER TARIFF PROBLEM BEGINS BECAUSE, IF THE EUA 280 DUTIABLE VALUE THRESHOLD IS CROSSED, THERE IS A SIGNIFICANT INCREASE IN IMPORT DUTY.

4. IF THE DUTIABLE VALUE THRESHOLD OF EUA 280 WERE CONVERTED AT THE RATE OF EUA EQUAL TO DM 2.60, THE LEVEL OF THE THRESHOLD WOULD BE LOWERED TO DM 728.00 PER QUINTAL. DUTIABLE VALUES OF U.S. TOBACCOS IMPORTED INTO THE FRG SIGNIFICANTLY EXCEED THIS LEVEL. THEY ARE CURRENTLY ESTIMATED TO BE CLOSE TO DM 900 PER QUINTAL WITH FURTHER SIGNIFICANT INCREASES IN THE OFFING.

5. THE MAXIMUM SPECIFIC RATE OF EUA 45 PER QUINTAL OF LEAF TOBACCO BEGINS TO APPLY AT A DUTIABLE VALUE THRESHOLD OF EUA 321.43 PER QUINTAL. CONVERTED AT 1 EUA EQUAL TO DM 2.60, THIS IS DM 835.71 PER QUINTAL (RATHER THAN THE DM 863.46 CALCULATED IN A-005). THEREFORE, ALL U.S. TOBACCO WOULD BECOME SUBJECT TO THIS SPECIFIC RATE. WHILE MOST U.S. TOBACCO IS NOW SUBJECT TO A DUTY RATE OF 33 EUA OR DM 120.78 PER QUINTAL, THE 45 EUA RATE WOULD EQUAL DM 117.00 PER QUINTAL. SINCE THE 45 EUA SPECIFIC DUTY BRACKET

IS SEPARATED FROM THE 280 EUA DUTY THRESHOLD BY A 14/15 PERCENT AD VALOREM ZONE, THE WRAPPER TARIFF PROBLEM WOULD NO LONGER APPLY TO U.S. TOBACCO.

6. COMPETING TOBACCOS ARE NOW IMPORTED MOSTLY IN THE DUTIABLE VALUE BRACKET IN WHICH THE 33EUA SPECIFIC TARIFF APPLIES, I.E. VALUES FROM 143.48 EUA TO 280 EUA, OR DM 525.13 TO DM 1024.79 PER QUINTAL (CONVERTED AT 1 EUA EQUAL TO DM 3.66). AT THE CONVERSION RATE OF 1 EUA EQUAL TO DM 2.60, THE NEW DUTIABLE VALUE BRACKET WOULD BE DM 373.05 TO DM 728.00. FOR PRICES AT WHICH COMPETING TOBACCOS ARE CURRENTLY BEING IMPORTED IN THE FRG, THEY WOULD REMAIN WITHIN THIS BRACKET AND BE DUTIABLE AT 33 EUA PER QUINTAL. BUT AT THE NEW CONVERSION RATE, THE DUTY BURDEN WOULD BE DM 85.80 PER QUINTAL, OR 27 PERCENT LESS THAN THE DM 117.00

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TO BE LEVIED ON U.S. TOBACCO. SCHIFFMAN UNQUOTE. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
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Copy: SINGLE
Draft Date: 14 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: EB/OT/TA:DRPATTERSON
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From: STATE
Handling Restrictions: n/a
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Reference: 78 EC BRUSSELS 6408
Retention: 0
Review Action: RELEASED, APPROVED
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To: LONDON ROME
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